

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200  
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA  
STATE AUDITOR

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July 24, 2002

Ms. Linda A. Holtzscheiter, Reimbursement Manager  
Mariner Post-Acute Network  
15415 Katy Freeway, Suite 800  
Houston, Texas 77094

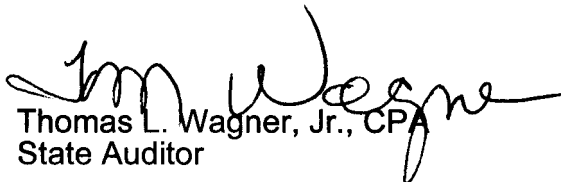
Re: AC# 3-LCS-J9 – GCI Village Green, Inc. d/b/a Lake City-Scranton Healthcare Center

Dear Ms. Holtzscheiter:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1998 through September 30, 1999. That report was used to set the rate covering the contract period beginning October 1, 2000.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

  
Thomas L. Wagner, Jr., CPA  
State Auditor

TLWjr/sag

cc: Ms. Brenda L. Hyleman  
Mr. Jeff Saxon  
Mr. Joseph P. Hayes

**GCI VILLAGE GREEN, INC. D/B/A  
LAKE CITY-SCRANTON HEALTHCARE CENTER  
SCRANTON, SOUTH CAROLINA**

**CONTRACT PERIOD  
BEGINNING OCTOBER 1, 2000  
AC# 3-LCS-J9**

**AGREED-UPON PROCEDURES REPORT  
ON CONTRACT  
FOR  
PURCHASE OF NURSING CARE SERVICES  
WITH  
STATE OF SOUTH CAROLINA  
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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### INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

May 29, 2002

Department of Health and Human Services  
State of South Carolina  
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with GCI Village Green, Inc. d/b/a Lake City-Scranton Healthcare Center, for the contract period beginning October 1, 2000, and for the twelve month cost report period ended September 30, 1999, as set forth in the accompanying schedules. The management of GCI Village Green, Inc. d/b/a Lake City-Scranton Healthcare Center is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

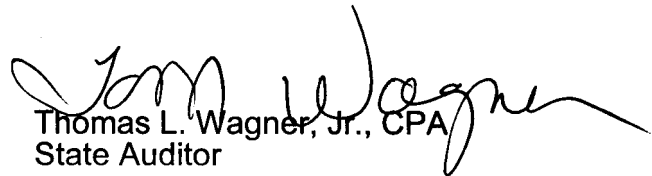
The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by GCI Village Green, Inc. d/b/a Lake City-Scranton Healthcare Center, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and GCI Village Green, Inc. d/b/a Lake City-Scranton Healthcare Center dated as of September 30, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services  
State of South Carolina  
May 29, 2002

These agreed-upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

  
Thomas L. Wagner, Jr., CPA  
State Auditor

**LAKE CITY-SCRANTON HEALTHCARE CENTER**

Computation of Rate Change  
For the Contract Period  
Beginning October 1, 2000  
AC# 3-LCS-J9

10/01/00-  
09/30/01

Interim Reimbursement Rate (1)	\$84.99
Adjusted Reimbursement Rate	<u>83.10</u>
Decrease in Reimbursement Rate	\$ <u><u>1.89</u></u>

- (1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated January 25, 2002.

**LAKE CITY-SCRANTON HEALTHCARE CENTER**  
Computation of Adjusted Reimbursement Rate  
For the Contract Period October 1, 2000 Through September 30, 2001  
AC# 3-LCS-J9

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$34.72	\$53.99	
Dietary		9.06	10.56	
Laundry/Housekeeping/Maintenance		<u>6.91</u>	<u>9.12</u>	
Subtotal	<u>\$5.16</u>	50.69	73.67	\$50.69
Administration & Medical Records	<u>\$ -</u>	<u>12.12</u>	<u>11.20</u>	<u>11.20</u>
Subtotal		62.81	<u>\$84.87</u>	61.89
<u>Costs Not Subject to Standards:</u>				
Utilities		2.40		2.40
Special Services		.95		.95
Medical Supplies & Oxygen		3.13		3.13
Taxes and Insurance		1.57		1.57
Legal Fees		<u>.08</u>		<u>.08</u>
<b>TOTAL</b>		<u>\$70.94</u>		70.02
Inflation Factor (3.20%)				2.24
Cost of Capital				7.69
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				5.16
Effect of \$1.75 Cap on Cost/Profit Incentives				(3.41)
Nurse Aide Staffing Add-On 10/01/99				.63
Nurse Aide Staffing Add-On 10/01/00				<u>.77</u>
 ADJUSTED REIMBURSEMENT RATE				 <u>\$83.10</u>

**LAKE CITY-SCRANTON HEALTHCARE CENTER**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended September 30, 1999  
 AC# 3-LCS-J9

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,081,845	\$ -	\$ -	\$1,081,845
Dietary	282,406	-	-	282,406
Laundry	7,049	-	-	7,049
Housekeeping	152,132	890 (6)	890 (7)	152,132
Maintenance	56,213	58 (3) 329 (6)	330 (7)	56,270
Administration & Medical Records	405,389	461 (6)	27,582 (3) 152 (4) 379 (7)	377,737
Utilities	77,053	89 (3) 451 (6)	2,338 (5) 437 (7)	74,818
Special Services	29,613	-	-	29,613
Medical Supplies & Oxygen	96,925	748 (4)	-	97,673
Taxes and Insurance	77,656	4,394 (3) 439 (6)	33,247 (2) 277 (7)	48,965
Legal Fees	5,584	7 (6)	2,966 (3) 3 (7)	2,622
Cost of Capital	264,138	812 (6) 1,139 (8)	6,436 (1) 19,417 (3) 614 (7)	239,622
	<hr/>	<hr/>	<hr/>	<hr/>
Subtotal	2,536,003	9,817	95,068	2,450,752
Ancillary	46,952	-	-	46,952

**LAKE CITY-SCRANTON HEALTHCARE CENTER**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 1999  
AC# 3-LCS-J9

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Non-Allowable	282,492	6,436 (1)	3,389 (6)	367,743
		33,247 (2)	1,139 (8)	
		45,424 (3)	596 (4)	
		2,338 (5)		
		<u>2,930 (7)</u>		
	<u>                    </u>		<u>                    </u>	<u>                    </u>
Total Operating Expenses	<u>\$2,865,447</u>	<u>\$100,192</u>	<u>\$100,192</u>	<u>\$2,865,447</u>
Total Patient Days	<u>31,161</u>	<u>-</u>	<u>-</u>	<u>31,161</u>
Total Beds	<u>88</u>			

**LAKE CITY-SCRANTON HEALTHCARE CENTER**  
Adjustment Report  
Cost Report Period Ended September 30, 1999  
AC# 3-LCS-J9

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$ 2,071	
	Other Equity	8,472	
	Nonallowable	6,436	
	Accumulated Depreciation		\$ 10,543
	Cost of Capital		6,436
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	33,247	
	Taxes and Insurance		33,247
	To adjust liability insurance expense HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
3	Maintenance	58	
	Utilities	89	
	Taxes and Insurance	4,394	
	Nonallowable	45,424	
	Administration		27,582
	Legal		2,966
	Cost of Capital		19,417
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
4	Medical Supplies	748	
	Administration		152
	Nonallowable		596
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		

**LAKE CITY-SCRANTON HEALTHCARE CENTER**  
Adjustment Report  
Cost Report Period Ended September 30, 1999  
AC# 3-LCS-J9

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Nonallowable Utilities	2,338	2,338
	To properly offset income against related expense HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
6	Housekeeping Maintenance Administration Legal Utilities Taxes and Insurance Cost of Capital Nonallowable	890 329 461 7 451 439 812	       3,389
	To reverse DH&HS adjustment to remove indirect cost applicable to a non-reimbursable cost center HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
7	Nonallowable Housekeeping Maintenance Administration Legal Utilities Taxes and Insurance Cost of Capital	2,930	 890 330 379 3 437 277 614
	To remove indirect cost applicable to a non-reimbursable cost center HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		

**LAKE CITY-SCRANTON HEALTHCARE CENTER**  
Adjustment Report  
Cost Report Period Ended September 30, 1999  
AC# 3-LCS-J9

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
8	Cost of Capital Nonallowable	1,139	1,139
	To adjust capital return State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	<u>\$110,735</u>	<u>\$110,735</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

**LAKE CITY-SCRANTON HEALTHCARE CENTER**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 1999  
AC# 3-LCS-J9

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.3156</u>
Deemed Asset Value (Per Bed)	36,165
Number of Beds	<u>88</u>
Deemed Asset Value	3,182,520
Improvements Since 1981	385,679
Accumulated Depreciation at 9/30/99	<u>(907,827)</u>
Deemed Depreciated Value	2,660,372
Market Rate of Return	<u>.060</u>
Total Annual Return	159,622
Return Applicable to Non-Reimbursable Cost Centers	(896)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>157</u>
Allowable Annual Return	158,883
Depreciation Expense	84,353
Amortization Expense	487
Capital Related Income Offsets	(3,487)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(614)</u>
Allowable Cost of Capital Expense	239,622
Total Patient Days (Actual)	<u>31,161</u>
Cost of Capital Per Diem	\$ <u><u>7.69</u></u>

**LAKE CITY-SCRANTON HEALTHCARE CENTER**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 1999  
AC# 3-LCS-J9

6/30/89 Cost of Capital and Return on Equity	
Capital Per Diem Reimbursement	\$4.64
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	\$ <u>8.63</u>
Reimbursable Cost of Capital Per Diem	\$7.69
Cost of Capital Per Diem	<u>7.69</u>
Cost of Capital Per Diem Limitation	\$ <u>-</u>

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